INTERNATIONAL FARM MANAGEMENT CONGRESS 2003
FARMING AT THE EDGE

ACCEPTANCE AND REPAYMENT OF AGRICULTURAL CREDIT IN LOMBOK INDONESIA – Farmers' perspectives

Taslim Sjah[1,2], Iean Russell[1], Donald Cameron[1]

[1]School of NRSM, University of Queensland, Gatton Campus, Australia
[2]Faculty of Agriculture, University of Mataram, Indonesia

Abstract

This paper analyzes farmer decisions regarding acceptance and repayment of agricultural credit in Lombok, Indonesia. A survey was conducted during July 2001- March 2002 in Central Lombok, where the current KKP government credit scheme is provided to agricultural producers. Three villages within the regency were sampled, representing various repayment rates of government credit. Data were collected using face-to-face, semi-structured interviews with 65 farmers who had made use of government or other sources of agricultural credit.

Capital possession was found to be the starting point for farmers' decision-making in relation to credit use. As long as farmers had their own capital, they tended to avoid using credit, perceiving that credit from any source was risky. Farmers preferred to apply for government credit, rather than from private sources, because it had lower interest rates, a more suitable repayment schedule, and was considered less risky. In some situations however, private credit was preferred because of its simplicity and instant availability. In credit repayment, farmers' behavior was strongly influenced by their capability, character, and motivations, and these factors could be inter-connected. The findings have some implications for credit distribution, monitoring, repayment collection, and education and extension for clients.

Key words: agricultural credit, acceptance, repayment, Lombok, Indonesia

Introduction

This paper describes aspects of a study into decision making by farmers making use of credit in Lombok, Indonesia. The study was designed to provide deeper understanding of the problems confronting systems of agricultural credit management. It focuses on exploring farmers' views on acceptance and repayment of agricultural credit.

The government of Indonesia has provided credit to agricultural producers throughout the country since the 1960s. The purpose of credit has been to increase agricultural production and farmers' income, in accordance with the primarily goals of agricultural development under the framework of the Indonesian Economic Development Plan (Booth 1998; Piggot *et al.* 1993).

Although the allocation of funds for credit by government has substantially increased (Table 1), the stated goals for the provision of credit have not been achieved. The provision of credit has apparently failed to increase agricultural production. For instance, rice production in 1996/1997 was 51.1 million tons when farm credit provided was only Rp 200 billion, and dropped to 48.7 million tons in 1998/1999 when farm credit reached Rp 7 trillion (Kompas, 20 March 2000c). The provision

of farm credit was also reported not to have improved farmers' welfare (Kompas, 25 July 2000c). More importantly, a substantial amount of the credit was not repaid. Some sources reported a nationwide average of some 80% repayment in the 1970s (Kompas, 12 September 2000a; 26 January 2001). More recently (1998-2000) the level of repayment was only about 30% (Kompas, 22 August 2000; 12 September 2000a). This means many state resources have been wasted, and agricultural development has not occurred at the expected level.

The poor repayment of farm credit has usually been blamed on farmers. Some farmers had unrealistically perceived the farm credit as a gift from the government (Kompas, 20 April 2000), or hoped the debt would be forgiven by the government (Kompas, 14 February 2001; Republika, 14 February 2001). Few official incentives were linked to farm credit repayment, including no guarantees of receiving future credit (Desai & Mellor 1993; Kompas, 20 April 2000; 25 July 2000a). Some farmers misallocated credit (Kompas, 20 March 2000a), while others used credit without generating sufficient income for repayment (Desai & Mellor 1993; Kompas, 20 March 2000a; 20 March 2000b; Republika, 30 January 2001).

Some farmers chose to borrow from private money-lenders, despite higher interest rates (Kompas, 12 September 2000b, Republika, 30 January 2001). In many instances, farmers were reluctant to accept any credit offer because of high perceived risk (Sjah, 1998), or the belief that borrowing subject to interest charges is not allowed from a religious (Islamic) viewpoint (Al-Zamzami & Grace 2002; IPB *et al*. 1999).

The government credit schemes from which Indonesian farmers can borrow have varied over time. Currently, the main form of agricultural credit is the 'Food Sufficiency Credit' (*Kredit Ketahanan Pangan, KKP*), which replaced the 'Farm Credit' (*Kredit Usaha Tani, KUT*) in October 2000 (Kompas, 21 August 2000; Rahardjo 2000). The KKP clients are decided by the executing banks, rather than other government offices (the Departments of Agriculture and Cooperatives), which decide the KUT recipients. A smaller numbers of farmers in some rural areas can also obtain government credit provided through the Department of Agriculture (the 'Food Sufficiency Program', '*Program Ketahanan Pangan', PKP*), and through the 'Management Unit of Monetary Village', '*Unit Pengelola Keuangan Desa', UPKD*). The KKP and KUT schemes charged 1% interest per month and were distributed to farmers owning farm below 2 ha (but in practice excluded those having less than 0.5 ha). The PKP scheme charged 1.5-2% per month (depending on the group management decision) and was provided to those with land of no more than 0.5 ha. The UPKD scheme applied 2% interest per month, and had general clients, including non-agricultural enterprises.

Methods

A face-to-face survey (Babbie 1990; Fink & Kosecoff 1998; Mosher & Kalton 1985) of agricultural producers making use of farm credit either from government or private sources was conducted in Central Lombok, in the recognition of the low level of literacy amongst respondents, language sensitivity, and the lack of telephones. In addition, the face-to-face format afforded opportunities for mixed languages (local dialect and Indonesian) to clarify understanding according to the particular situation. Farmers were selected from three villages of three districts in Central Lombok. The villages were purposively selected to provide a variety of levels of repayment of government credit, on the basis of information gained from the Office of Agriculture and the Bank (*the Bank Rakyat Indonesia, BRI*). The village of Plambik (Praya Barat Daya district) was chosen to represent full repayment of the current government credit (the KKP). The village of Beraim, Praya Tengah was chosen to represent a poor repayment rate, having most unpaid debt from the previous system of government credit (the KUT). The village of Sengkerang,

Praya Timur, was selected to represent a population with part completion of repayments. A farmer group using the KKP or KUT schemes was selected within each village with the help of the leaders of farmers or villages meeting the repayment criteria. Other credit users within the three villages were also sampled, and Table 2 presents the distribution of sampled respondents. The information on farmers making use of the KUT, private credit, and other credit schemes in those villages was obtained from leaders of the villages and from farmer groups and extension officers, depending on the informants' ability to supply the required information. Data were collected from July 2001 to March 2002, through in-depth, semi-structured interviews with farmers. Specific questions, as to why farmers accept or reject credit and why they elect to repay loans or not, were selected. Farmers were first asked to respond to about their real situation on credit (ie. Why they were taking the current credit and why not using other credit (including why did not use any credit in sometimes of their experience), and why they repay or not). Then, whenever possible, they were also asked about other peoples' reasons in behaving to credit acceptance and repayment. All responses to these questions were grouped, and frequency of the responses was counted to rank the emergent responses. However, the overarching philosophy of qualitative research was applied. Information was triangulated by using positive and negative questions and also using different information sources. The results of the investigation are presented below.

Why do farmers accept credit?

Capital possession played a central role for farmers in deciding whether to accept or reject agricultural credit (the term 'capital' was used by respondents in the sense of 'cash money', or other assets that can be sold for financing farm activities). Capital was a starting point for most villagers in making decisions on borrowing. Having decided to obtain outside funds for their business activities, then the credit requirement, interest rate, repayment schedule and other factors guided borrowers in their choice of a preferred source of credit.

When farmers were asked about the general acceptability of credit (regardless of source), credit was almost exclusively acceptable only when farmers experience a very difficult life situation. Farmers said 'if I do not borrow then I could expect nothing' as they were not investing in anything. In other words, borrowings became the only chance of survival for farmers. At least, the borrowers could expect some amount of income generated from the use of credit. It was evident from the reasons given for accepting credit that farmers do not really want to take credit, except when they experience lack of capital for running their farm activities (Tables 3 and 4).

The central role of capital was validated through a triangulation device in the interviews using an opposite question. Farmers in general rejected credit in circumstances where they had sufficient funds available for undertaking their farming activities (Table 4). The reason given for accepting private credit was because no other choices were available to them. Table 3 indicates this as first rank (or the most mentioned) in the farmers' reasons for accepting credit from private sources. In addition, during visits to the farmers selected for interviews, many of them were reluctant to participate and some denied having debt from any source, though their leaders have indicated that they did. It was apparent that people in the village do not want to be recognized as being in debt

Farmers generally displayed a negative attitude to credit. The analysis of the reasoning underlying this attitude showed that farmers perceived credit as being risky and liable to cause severe losses. For example, crop production can fail or prices could be lower than expected, such that income would not sufficient to repay the debt. There were also other risks associated with borrowing that farmers face mentally, including embarrassment associated with being known by other community members for

having debt and feeling pressured until the debt is fully repaid. This embarrassment probably explains the farmers' reluctance to participate in interviews and their denial of borrowing.

The risk aversion evident in the responses of farmers in Central Lombok is in line with many studies that have concluded that risk aversion is greater with poor farmers than with more wealthy farmers. This was found to be the case for small rice farmers in Nepal (Hamal & Anderson 1982, Anderson & Hamal 1983); Mexico (Moscardi & de Janvry 1977), and Brazil (Dillon & Scandizzo 1978). However, Binswanger (1980) found in a study of Indian farmers that wealth did not affect risk aversion. In even greater contrast are the findings of Milner-Gulland *et al*. (1996), who found evidence of contradictory behaviour by farmers in Zimbabwe, where the poorest farmers were found to make the riskiest crop choice through desperation.

In circumstances where choices of credit sources are available and where demand for credit is high, government credit is preferred to private credit. Table 3 reveals that farmers accept private credit primarily (or perhaps exclusively) because no other choices are available. The farmers interviewed clearly stated that given a choice, they would borrow from a government source. This was chiefly because the government credit had a low cost of borrowing and also set a suitable repayment schedule for borrowers, leading to a lower perceived risk than private credit. The government credit charged about 1% per month, while private charges were at least double that of the government rate. Borrowers could repay the government credit over a longer period, eg. after crop harvest, and sometimes extendable until the next harvest without paying a severe penalty. When late repayment for the government credit occurred, borrowers were only required to pay the regular monthly interest rate for the overdue period in addition to the original period interest rate. Private lenders could double the initial interest rate (which was already double that of government source) or take over the borrowers' collateral if repayment was not made on time. Accordingly, the risk of borrowing government credit was considered lower than that of private source. In addition, the low risk associated with government credit was also contributed to by the availability of funds generally occurred just prior to planting season such that the funds were not allocated to non-farming purposes. However, most people who were not making use of government credit considered it to be more risky, so they rejected it.

Apart from the low interest charges, favourable repayment schedule, and low risk, there were also farmers making use of government credit due to relationships with the government officers organizing the credit. Interviews indicated that farmers perceived that a good relationship with the government officers would allow the credit application procedure to be handled quite easily. Good relationships between borrowers and credit officers encouraged borrowing. These relationships were reported as having been established through family connections, being known and trusted, and also from a friendly communication style. Furthermore, farmers reported that credit applications through government were less time consuming given the assistance provided by credit officers or farmer leaders. Farmers applied for government credit with minimal effort, which made the application easy for them.

As mentioned earlier, farmers may be forced by their difficult situation to borrow from private sources. Such borrowers are in the situation of having no choice, ie. have no capital and no access to government credit. Nevertheless, some borrowers expressed the belief that borrowing from private sources was acceptable to them because it was perceived to be easier than borrowing from the government in terms of requirements and timing. Private providers require nothing except trust and sometimes collateral, and finance was available whenever it was asked for. Conversely, private credit was avoided as much as possible because of high interest charges and unsuitable repayment schedules (eg. very frequent payments or payments

required soon after crop harvest). It was also considered highly risky to borrow private credit, both for reasons of losing the assets offered as collateral and for embarrassment for being known for not repaying a loan at the time promised. Another reason given for rejecting private credit was that farmers did not know credit officers well.

Reasons for repaying debt

Three interconnected factors were identified as influencing farmers' behaviour in credit repayment (Tables 5 and 6). The first factor was the borrower's financial capability. It seems hopeless to expect people to meet their debt obligation when they are financially incapable for doing so. This reasoning was confirmed by virtually all respondents.

The second factor identified was that the good character of borrowers could increase the repayment rate. Good character was described in terms of being responsible, awareness of having debt, commitment to promises, religious, having sense of shame, and showing respect for credit officers. If good character is lacking, repayments are less likely to be made even when borrowers are financially capable. In other words, financial capability should exist in combination with good character to make significant impact on repayment behaviour. In some cases, even when financial capability does not exist, borrowers with positive character make a great effort to repay their debt and keep repayment promises by borrowing again from other lenders. In this sense, the character of borrowers may become a more significant factor in explaining repayment behaviour than financial capability. Nevertheless, the above statement is quite contradictary to reasons for repaying in Table 5 to found that there was no reason of 'bad personality' revealed in reasons for not repaying private credit (in Table 6). The bad personality of borrowers was not recorded as a reason for failure to repay credit in the case of private credit and is accorded only minor importance in relation to credit generally and government credit. This may be explained by the more aggressive collection methods of private lenders and the tendency to suppress the expression of bad personality on the part of borrowers.

Finally, credit repayment can be strongly affected by borrowers' motivations. Repayment can be improved when borrowers have the motivation to obtain further credit in future. This was true for both government and private credit. It was found that some cases of repaying debt through further borrowings were due to this motivation. Efforts by lenders to monitor credit use and collect repayments on the due date appeared to be positively correlated with credit repayment level. In particular, for government credit, some farmers made an excuse for not repaying due to insufficient effort on the part of the government officers. Some borrowers claimed to have forgotten their debt as they were not reminded for a long time. Even when visits were made, some farmers could not accept the manner in which officers asked for repayment. For instance, one farmer felt intimidated when the officer in charge mentioned jailing anybody who did not repay their debt, and this caused him to react negatively and resulted in defaulting on payment. Another farmer cancelled his repayment because the officer did not accept his production (raw rice) as the form of repayment. He was asked to sell the product and to provide cash to repay his debt. When the officer came back later, the farmer had nothing left for meeting the obligation. One other motivational factor contributing to credit repayment was the tendency of borrowers to seek to rid themselves of debt to avoid associated risks. This risk could be in the form of accumulated interest and feeling pressured or burdened for having the debt, especially if not repaid on time.

In relation to government credit, there were more diverse reasons on why farmers did not repay. Apart from financial capability, borrowers' character and motivation, there were significant numbers of farmers not repaying their debt due to unrealistic perception that government credit was a gift for community so that their debt would be cleared. This may have been

construed through their experience of credit clearance. On previous occasions in Indonesia the Government has cleared farmers' debts to government schemes. One such occasion occurred in 1998, when the government cleared the 1985-1995 farmers' remaining debt (Kompas, 20 April 2000; 12 September 2000a). This experience may lead farmers to expect similar leniency with debts to the government. Kelly (1955) explains this farmers' rationalization as construction corollary, that people anticipate events by construing their replications. This construction may appear in people's attitudes, beliefs, opinions, and values (Bock 1976).

The unrealistic perception of government credit may also have been connected to other people's behavior. Some big borrowers, many top-level government officers, and other farmers within their community, who have not repaid their debt could also serve as excuses for some not to meet their obligation. Their logic for this was that they would be losers if they repaid their debt when others did not. Such people exhibit negative example of behavior, which attracts other people to behave similarly. Furthermore, some farmers foresaw no incentive to repay their debt. For example, there was no guarantee of obtaining further credit although they met their obligation in the current round.

Implications

Four broad implications, relating to credit distribution, monitoring, collection, and education and extension for farmers, can be drawn from the reasons that farmers revealed in discussing their acceptance and repayment of credit.

Credit has to be distributed with the right image and a clear message from the beginning of the provision that receivers have to repay it. This may be done with allocating sufficient time for revealing related information about credit to borrowers, a month or two before its distribution. Credit should also be distributed at the right time, allowing the farmers to allocate for farm costs and they do not seek other sources of fund, and it can function to do proper husbandry practices (e.g. on-time fertilizing). Selection processes should ensure the right borrowers. The right image is important given some farmers have construed credit differently and sometimes unrealistically.

Efforts should be made to monitor credit distribution and allocation, and repayment collection. Monitoring of credit distribution and allocation will help to prevent leaking and improper use funds. It is also important to monitor clients' business activities, particularly to know the time when credit users have sufficient income for making repayment. There was evidence that better repayment rates for private credit were due to the greater level of monitoring activity.

Knowing the time when the borrowers have income available makes it easier to follow up with repayment collection. Collection at the wrong time, such as before crop production and after income has been spent, is not effective. The farmers' income was very limited and on many occasions was insufficient to cover the costs of living, let alone to manage debt repayments. Furthermore, to encourage repayment, borrowers may require incentives for meeting their obligation on time. Another thing to be recognized is the form of repayment, which is not only cash but also the form of production with suitable price.

Finally, attention needs to be paid to education and extension for farmers to make borrowers aware that they have a debt that must be returned. This may be a very difficult task, given that some farmers tend not to meet their obligation due to long experience of observing other people's behaviour of not repaying their debt. Examples of good behaviour on the part of big borrowers may be an effective means to change these small farmers' behaviour.

Conclusions

The dominant reason for agricultural producers in Central Lombok to accept credit was their lack of capital. When farmers had their own capital, they tended to avoid using credit, because of their perception that credit from any source was risky. This reflected the risk averse attitude of small farmers. Having decided to use credit, farmers preferred to apply for government rather than private sources. Government schemes charged lower interest rates and had a suitable repayment schedule, and accordingly were considered less risky than private sources. High interest rates was the main reason farmers gave for rejecting private credit. There were also other factors that caused government credit to be more acceptable, including a good relationship with credit officers. Those making use of private credit stated their preferences for its simpler or easier credit requirements and its instant availability.

Farmers' behavior in credit repayment was strongly influenced by their capability, character, and motivations. Farmers tended to meet their obligations when they were financially capable. The financial capability was accompanied by good borrower's character of willingness to meet the obligation on the part of borrowers with 'good character'. Motivational factors such as an expectation to obtain further credit, contact with credit officers, and avoiding associated risk could improve rates of repayment.

The findings had some implications for better credit repayment. Credit must be distributed under a clear message and the right image through sufficient time of information diffusion, and be available at the right time to the appropriate borrowers. The distribution of credit should also be followed by a monitoring activity investigating credit use and for the purpose of identifying the best repayment time. Repayment rates may be improved through education and extension activities such that farmers become aware of the obligation associated with their borrowings.

References

Al-Zamzami, A. & Grace, L. 2002, *Islamic Banking Principles Applied to Microfinance*. Special Unit for Microfinance, UN Capital Development Fund. http://www.uncdf.org/sum/reports/ islamic banking/index.html.

Anderson, J. R. & Hamal K. B. 1983, 'Risk and rice technology in Nepal', *Indian Journal of Agricultural Economics,* vol. 38(2), pp. 217-222.

Babbie, E. 1990, *Survey Research Methods*, Wadworth Publishing Company, Belmont, California.

Binswanger, H. P. 1980, 'Attitude toward risk: experimental measurement in rural India', *American Journal of Agricultural Economics*, vol. 62(3), pp. 395-407.

Bock, I. M. 1976, *National Survey of Market Information Requirements of Primary Producers*, Agricultural Extension Research Unit, School of Agriculture and Forestry, University of Melbourne, Canberra.

Booth, A. 1988, *Agricultural Development in Indonesia,* Asian Studies Association of Australia, Sydney.

Desai, B.M. & Mellor, J.W. 1993, *Institutional finance for agricultural development. An analitical survey of critical issues*, International food policy research institute, Wahington, D.C.

Dillon, J. L. & Scandizzo, P. L. 1978, 'Risk attitudes of subsistence farmers in northeast Brazil: a sampling approach', *American Journal of Agricultural Economics*, vol. 60(3), pp. 425-435.

Fink, A. & Kosecoff, J. 1998, *How to conduct survey: A step-by-step guide*. Second edition. Sage Publications, London, Thousand Oaks, New Delhi.

Hamal, K. B. & Anderson, J. K. 1982, 'A note on decreasing absolute risk aversion among farmers in Nepal', *American Journal of Agricultural Economics*, vol. 26(3), pp. 220-225.

IPB (Bogor Agricultural University), Department of Agriculture, and Department of Cooperatives and Small to Medium Entrepreneurs 1999, *Pemodelan Proksidatani (Modeling action program for empowering farmer community)*. IPB (Bogor Agricultural University), Department of Agriculture, and Department of Cooperatives and Small to Medium Entrepreneurs, Bogor.

Kelly, G. A. 1955, *The Psychology of Personal Constructs,* Norton, New York.

Kompas, 7 February, 2000, *Kredit usaha tani di persimpangan jalan (Farm credit in the middle way)*. http://www.kompas.com/.

Kompas, 20 March 2000a, *KUT, untuk hari raya hingga pilkades (Farm credit for celebration day and village leader election)*. http://www.kompas.com/.

Kompas, 20 March 2000b, *Manipulasi ekonomi kerakyatan? (Manipulating peoples-based economy?)*. http://www.kompas.com/.

Kompas, 20 March 2000c, *Hentikan penyaluran KUT lewat LSM (Stop distributing farm credit through NGOs)*. http://www.kompas.com/.

Kompas, 20 April 2000, *Petani anggap KUT sama dengan JPS (Farmers assume farm credit as social food security)*. http://www.kompas.com/.

Kompas, 25 July 2000a, *Ada keengganan petani Jabar kembalikan KUT (West Java farmers were reluctant to pay back farm credit)*. http://www.kompas.com/.

Kompas, 25 July 2000b, *Lagi, KUT Rp 1.65 milyar diselewengkan (Again, Rp 1.65 billion farm credit was misused)*. http://www.kompas.com/.

Kompas, 25 July 2000c, *Deptan siapkan kredit pengembangan agribisnis (Department of Agriculture prepares credit for agribusiness development)*. http://www.kompas.com/.

Kompas, 21 August 2000, *'Kredit Ketahanan Pangan' gantikan 'KUT' ('Food Sufficiency Credit' replaces 'Farm Credit')* http://www.kompas.com/.

Kompas, 22 August 2000, *Pengembalian KUT hanya 30 persen (Repayment of farm credit was only 30 %)*. http://www.kompas.com/.

Kompas, 12 September 2000a, *Setelah Bimas, KUT, KKP, lalu… (After mass supervision credit, farm credit, food resistance credit then …)*. http://www.kompas.com/.

Kompas, 12 September 2000b, *Jalan panjang, petani tanpa bantuan sinterklas (A long way for farmers without St.Claus assistance)*. http://www.kompas.com/.

Kompas, 26 January 2001, *80 persen dana KUT macet (80 % farm credit fund was congested)*. http://www.kompas.com/.

Kompas, 14 February 2001, *Tunggakan KUT direstrukturisasi (Outstanding farm credit is restructured)*. http://www.kompas.com/.

Milner-Gulland, E. J., Mace, R. & Scoones, I. 1996, 'A model of household decisions in dryland agropastoral systems', *Agricultural Systems*, vol. 51(4), pp. 407-430.

Moscardi, E. & de Janvry, A. 1977, 'Attitudes toward risk among peasants: an econometric approach', *American Journal of Agricultural Economics*, vol. 59(4), pp. 710-716.

Mosher, C.A. & Kalton, 1985, *Survey method in social investigation*, Second edition, Gower, Aldershot, England.

Piggot, R. R., Parton, K. A., Treadgold, E. M. & Hutabarat, B. 1993, *Food Price Policy in Indonesia*, ACIAR, Canberra.
Rahardjo, M.D. 2000, 'KKP versus KUT: dari populis lama ke populis baru?' ('Food sufficiency credit versus farm credit: from old popular to new popular?'). *Republika,* 11 September 2000, pp.1 & 11.
Republika, 30 January 2001, *Petani mengeluh KKP harus pakai agunan (Farmers complain on collateral requirement on food resistance credit).* http://www.republika.co.id/.
Republika, 14 February 2001. *Tunggakan KUT dipotong 50 persen (Outstanding farm credit is discounted for 50 percent).* http://www.republika.co.id/.
Sjah, T. 1998, *Farming systems and farmer decisions on new cropping land in East Lombok, Indonesia.* Unpublished Master Thesis. University of Queensland, Gatton.

Biographical Notes

Taslim Sjah has been a Lecturer and Researcher in the Department of Agricultural Socio-economics, Faculty of Agriculture, University of Mataram, Indonesia, since 1990. His teaching experience includes farm management, agricultural economics, agro-industrial economics, and tourism economics. His research experience covers issues of socio-economic of food crop, farming systems, farmer decision making, and rural credit.
Contact: Email: s3233106@student.uq.edu.au; Fax: 07-54601324; Phone: 07-54601675.

Iean Russell is a Lecturer in Resource Economics at the University of Queensland with some 12 years research experience in Australia and the region. His current involvement is in aid delivery issues, socio-economic analysis of pest control in rice, microfinance, farmer decision making, attitudes to risk, and the economic impact of leptospirosis in the Queensland Banana industry. His research interests centre on participatory methods, action research and qualitative methodologies.
Email: irussell@mailbox.uq,edu.au

Donald Cameron (Ph.D.) is Research Postgraduate Co-ordinator and Lecturer in Rural Management in the School of Natural & Rural Systems Management at The University of Queensland, Gatton. Research interests are focused on business management decision making and the intrinsic and extrinsic factors that affect it.
Email: dcameron@uqg.uq.edu.au

Table 1. Nominal value of farm credit provision in Indonesia, 1995/1996 – 1999/2000

Year	Amount of credit (Rp 000,000,000)
1995/1996	202.5
1996/1997	229.9
1997/1998	374.0
1998/1999	7,000.0
1999/2000	8,090.0

Source: Kompas, 7 February 2000; 20 March 2000c
Note: AUD 1 = Rp 5,000 (during 1999/2000)

Table 2. Respondent distribution by credit schemes and locations of survey

Credit schemes	Locations of survey			Total
	Plambik (Praya Barat Daya)	Beraim (Praya Tengah)	Sengkerang (Praya Timur)	
1. KKP	10		10	20
2. KUT	4	11	10	25
3. PKP	2		2	4
4. UPKD	3			3
5. Private	3	3	7	13
Total	22	14	29	65

Table 3. Farmer's reasons for accepting credit in Lombok, Indonesia

Reasons	Source of credit		
	General	Government	Private
1. Lack of capital	1 (97%)	3 (15%)	2 (24%)
2. Simple or easy requirements	2 (3%)	5 (5%)	3 (16%)
3. Low interest charge		1 (43%)	
4. Suitable repayment schedule (eg long, flexible, after harvest)		2 (22%)	5 (4%)
5. Preferences on organisers (eg family connections, trustable, friendly)		4 (9%)	
6. Low risk		6 (3%)	
7. No other choices available			1 (48%)
8. Available in expected time		7 (2%)	4 (8%)
9. Want to participate		8 (1%)	

Note: Numbers indicate ranking, and percentage was calculated for responses within the source category.

Table 4. Farmer's reasons for rejecting credit in Lombok, Indonesia

Reasons	Source of credit		
	General	Government	Private
1. Have own capital	1 (75%)		5 (2%)
2. Risky (eg late credit arrival, no experience, embarrassment, feeling pressured)	2 (25%)	1 (100%)	3 (15%)

3. Mistrust (or has no relation with) credit officers			6 (2%)
4. Complicated requirements (eg collateral, business plan)			4 (4%)
5. High interest charge			1 (57%)
6. Unsuitable repayment schedule (very soon, very frequent)			2 (18%)

Note: Numbers indicate ranking, and percentage was calculated for responses within the source category.

Table 5. Farmer's reasons for repaying credit in Lombok, Indonesia

Reasons	**Source of credit**		
	General	Government	Private
1. Financial capability	1 (44%)	2 (26%)	2 (30%)
2. Good personality (eg. responsible, awareness, commit to promise, religious, keen to avoid shame, pay respect (to organisers))	2 (32%)	1 (33%)	1 (40%)
3. Want next credit	3 (12%)	3 (24%)	3 (15%)
4. Sufficient Monitoring and collection efforts	4 (6%)	4 (15%)	4 (10%)
5. Avoid Risk (eg accumulated interest, feeling pressured or burdened)	5 (6%)	5 (2%)	5 (5%)

Note: Numbers indicate ranking, and percentage was calculated for responses within the source category.

Table 6. Farmer's reasons for not repaying credit in Lombok, Indonesia

Reasons	**Source of credit**		
	General	Government	Private
1.Financial incapability	1 (85%)	1 (38%)	1 (100%)
2.Bad personality	2 (15%)	5 (10%)	
3.Lack of monitoring and collection efforts		2 (23%)	
4.Speculation for debt clearing or perceiving credit as a gift		3 (13%)	
5.Imitate other people's behaviour (of not repaying)		4 (13%)	
6.No incentive to repay (eg would not get future credit)		6 (3%)	

Note: Numbers indicate ranking, and percentage was calculated for responses within the source category.